



# Department of Justice

FOR IMMEDIATE RELEASE  
MONDAY, JULY 27, 1998

AT  
(202) 616-2771  
(202) 514-2888

## **JUSTICE DEPARTMENT SUES TO BLOCK CITICORP'S ACQUISITION OF TRANSACTIVE CORPORATION ASSETS**

### **Deal Would Eliminate Competition in Electronic Delivery of Welfare Benefits**

WASHINGTON, D.C. -- The Department of Justice today sued to block Citicorp Services Inc. from acquiring Transactive Corporation's electronic benefit transfer (EBT) system business which is used by state and local agencies to provide food stamps and cash benefits to millions of Americans who qualify for welfare payments. Citibank today is the dominant provider of EBT services in the United States, and Transactive is its major competitor.

The Department said that unless the proposed acquisition is blocked, competition for EBT contracts will be eliminated, resulting in higher prices and lower quality services for state and local agencies, and ultimately resulting in lower quality services for those who receive welfare benefits.

EBT systems use a card that accesses accounts electronically. By eliminating paper, such as stamps or checks, EBT systems are more efficient and lower the costs of providing the services. They also help to reduce fraud and provide a more dignified way of delivering food stamps and other benefits. Federal law requires all states to use EBT systems to deliver food stamp benefits by the year 2002. Governments could save \$1 billion over five years after all states have put EBT systems into effect for food stamp distribution.

“Competition among EBT vendors is important to maintaining and further promoting the hundreds of millions of dollars in cost savings each year associated with the use of EBT systems, said Joel I. Klein, Assistant Attorney General of the Department’s Antitrust Division.

“Citicorp’s move to acquire Transactive would virtually eliminate competition in the market for delivery of EBT services, and deny government entities, taxpayers, and millions of American welfare recipients the benefits of competition--lower prices, more innovation, and better quality services.” According to the complaint, Citicorp Services Inc., a wholly owned subsidiary of Citicorp Inc., has agreed to acquire from Transactive Corporation and its parent, GTECH Holdings Corporation, contracts to deliver EBT services to the States of Texas, Illinois, and Indiana, and Sacramento County in California, as well as certain computer hardware and the right to use Transactive’s software to provide processing services in these states. The agreement between the parties also contains a non-compete provision that would prevent Transactive from competing against Citicorp for new EBT contracts or licensing its processing system to another vendor for use in delivering EBT systems.

According to the complaint, the provision of EBT services to state and local governments is the relevant product market, and the United States is the relevant geographic market. As of March 1998, Citicorp was the prime contractor in 28 states, with a market share of 62 percent of the food stamp caseload. Transactive was the prime contractor in four states with a market share of 17 percent of the food stamp caseload. Of the four firms presently competing nationwide for EBT contracts, only three firms have developed and implemented large-scale EBT processing systems—Citicorp, Transactive, and Deluxe Data Systems Inc. In many cases, however, states receive only two bids because Deluxe bids jointly with Citicorp.

Citicorp Inc., whose principal subsidiary is Citibank, N.A., is a Delaware corporation headquartered in New York City with 1997 revenues over \$21 billion.

GTECH Holdings Corporation, a major provider of lottery products and services to states, is a Delaware corporation headquartered in West Greenwich, Rhode Island with 1997 revenues of approximately \$990 million.

The Department's complaint was filed in U.S. District Court in Wilmington, Delaware. A trial schedule will be determined by the Court.

###

98-348